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BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

Arizona Corporation Commission

DOCKETED

JAN 20 2005

JAN 24 2005

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IN THE MATTER OF THE APPLICATION OF )  
SOUTHWEST GAS CORPORATION APPLICA- )  
TION FOR WAIVER OR, IN THE ALTERNA- )  
TIVE, APPLICATION FOR PRIOR APPROVAL )

DOCKET NO. G-01551A-04-0806

DECISION NO. 67520

ORDER

Open Meeting  
January 11 and 12, 2005  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On November 8, 2004, Southwest Gas Corporation ("SWG") filed an application with the Arizona Corporation Commission ("Commission") for a waiver of the requirements of A.C.C. R14-2-804.B.2 for certain affiliate transactions or, in the alternative, prior approval to loan \$21,970,000 to its wholly owned subsidiary, Paiute Pipeline Company ("Paiute"), to fund the amount needed acquire and continue to operate a liquefied natural gas storage facility and an associated pipeline ("LNG facilities").

2. Rule R14-2-804.B.2 states that "A utility will not consummate the following transactions without prior approval by the Commission:

3. Lend to any affiliate not regulated by the Commission with the exception of short-term loans for a period of less than 12 months in an amount less than \$100,000; or".

4. SWG operates both an interstate and local distribution natural gas pipeline systems in the states of Arizona, Nevada and Utah. It serves over 850,000 customers.

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1           5.       On October 22, Paiute filed an amended application with the Federal Energy Regulatory  
2 Commission ("FERC"), in Docket No. CP04-343-001, for certificate authorization to acquire and  
3 operate the subject LNG facilities. A second amendment (CP04-343-002) was filed On October 27,  
4 2004 and reflected certain revised contract entitlement levels for the proposed storage services.

5           6.       Paiute currently leases the LNG facilities from Uzal, LLC. The facilities consist of a  
6 liquefied natural gas storage facility located near Lovelock, Nevada and approximately 61 miles of 20-  
7 inch diameter pipeline which loops Paiute's mainline between the LNG facility and the Wadsworth  
8 Junction near Wadsworth, Nevada.

9           7.       Paiute's predecessor, SWG, constructed the facilities in 1982 and coincidentally entered  
10 in to a sale/leaseback arrangement to finance the facility costs. The lease has been held by a variety of  
11 entities and is currently held by Uzal, LLC. The current lease expires on July 6, 2005.

12          8.       The LNG facilities will be used to provide peak shaving storage services to four local  
13 distribution companies: Avista, Sierra, Southwest- Northern California, and Southwest – Northern  
14 Nevada.

15          9.       Although the transaction does not directly affect Arizona natural gas users, it could  
16 have an indirect effect if the transaction weakens SWG's financial position.

17          10.       As more fully described in its amended filing in FERC Docket No. CP04-343-001,  
18 several parties are involved in the process to certificate the LNG facilities. If approved by the FERC, it  
19 will resolve five pending, contested FERC proceedings, as well as two related court cases.

20          11.       A Joint Parties Settlement, which reflects the agreement of three service-provider  
21 applicants and the four historic customers of the LNG facilities, provides for several FERC approvals,  
22 authorizations, and determinations.

23          12.       Staff's evaluation of the application indicates that it does not appear that this transaction  
24 will have a material impact on SWG's financial position. The loan amount only represents  
25 approximately 1 percent of SWG's total capitalization.

26          13.       SWG has an existing waiver from the affiliate rules in Commission Decision No. 58162  
27 for certain affiliate transactions not exceeding \$13,000,000 during any 12 month period.  
28

1           14.     The transaction is supported by long-term storage contracts and provides sufficient cash  
2 flow to permit repayment of the loan amount.

3           15.     Staff recommends approval of the requested waiver subject to the following conditions:

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5           a.     Commission approval of the waiver is conditioned upon FERC approval of the  
6 subject transaction and contractual arrangements contemplated in FERC Docket No.  
CP04-343-001.

7           b.     SWG shall file a copy of the FERC approval and the related loan document  
8 with the Docket Control within 30 days of FERC approval.

9           c.     Any new affiliated transactions subject to A.C.C. R14-2-804.B.2 for the twelve  
10 month period following FERC approval and execution of the loan will require  
Commission approval.

11           d.     At the completion of the twelve month period noted in item c.. above, the  
12 previously approved waiver for \$13,000,000 shall again be in effect.

13  
14                               CONCLUSIONS OF LAW

15           1.     SWG a public service corporation within the meaning of Article 15 of the Arizona  
16 Constitution and Title 40 of the Arizona Revised Statutes.

17           2.     The Commission has jurisdiction over SWG and over the subject matter of the  
18 application.

19           3.     The Commission having reviewed the application and Staff's Memorandum of January  
20 14, 2005, concludes that it is in the public interest to grant SWG's request but subject to the limitations  
21 recommended by Staff.

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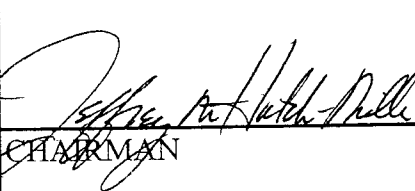
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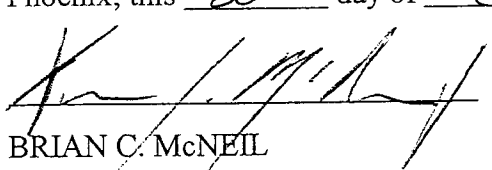
ORDER

IT IS THEREFORE ORDERED that the application be and hereby is granted subject the conditions as recommended by Staff in Findings of Fact No. 15.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**  
CHAIRMAN  
COMMISSIONER  
COMMISSIONER  
COMMISSIONER  
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 20<sup>th</sup> day of Jan., 2005.

  
BRIAN C. McNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:JJD:rdp

1 SERVICE LIST FOR: SOUTHWEST GAS CORPORATION

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